UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

SLS-19 July 20, 1938

THE SHEEP AND LAMB SITUATION

Summary

Prices of lambs probably will remain below those of last year during the next few months, with some decline from mid-July levels as supplies of grass-fat lambs increase seasonally. The Bureau of Agricultural Economics points out, however, that in the late fall and early winter months improvement in consumer demand for meats and in prices of wool and pelts probably will be strengthening factors.

All indications point to a larger lamb crop this year than last. And slaughter supplies of sheep and lambs during the late summer and early fall are likely to be larger than in the corresponding period a year ago. The number of lambs slaughtered may be increased also by the large proportion of fat lambs in supplies from the late lambing areas in the Western Sheep States, together with a weak demand for feeder lambs. Few contracts for western lambs for feeding had been made by mid-July this year, whereas last summer relatively large numbers of western lambs had been contracted by mid-July.

Prices of lambs in June were somewhat higher than in May, as new-crop lambs were marketed in volume. Prices of lambs, however, weakened in late June. Slaughter supplies of sheep and lambs in June were smaller than those of a month earlier, but continued to be larger than those of last year.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- With marked weakness in consumer demand for meats and in prices of pelts and wool, the seasonal decline in prices of lambs which began in the summer of 1937 was extended into a general decline and reached a low point in February 1938. Since February, lamb prices have recovered somewhat but have remained well below those of corresponding months last year. During the fed-lamb marketing season (December-April), prices paid by packers for sheep and lambs averaged 20 percent lower than a year earlier, and the lowest for the period since 1932-33. The live weight of sheep and lambs slaughtered under Federal inspection during this period was about the same as a year earlier. In May, the live weight of inspected sheep and lamb slaughter was 15 percent heavier, and the average price of spring lambs at Chicago was nearly 30 percent lower than a year earlier.

Prices of lambs advanced in early June but declined later

Prices of good and choice spring lambs at Chicago in June averaged about $9.30 per 100 pounds, approximately 40 cents higher than a month earlier, but more than $2.50, or about 22 percent lower than in June 1937. The number of sheep and lambs slaughtered under Federal inspection in June, totaling 1,485,000 head, was 4 percent smaller than a month earlier, but was somewhat larger than in June last year.

The eastern movement of spring lambs from California was virtually completed in early June. Prices of spring lambs advanced sharply at that time, but declined during the remainder of the month. Although marketings of new-crop lambs from the Southeastern States, Idaho, and some sections of the Corn Belt got under way in fairly large volume, receipts of sheep and lambs at seven markets in late June and early July were somewhat smaller than those of a month earlier. In early July, some recovery in lamb prices occurred, but for the week ended July 16 prices of good and choice spring lambs at Chicago, averaging $9.14, were 80 cents lower than at the high point in early June.

Sheep and lambs in good condition

With continued favorable range and pasture conditions, sheep and lambs on July 1 were in very good condition in nearly all areas of the country. The average condition of western sheep and lambs was estimated to be 90 percent of normal, the same as a month earlier, and 2 points higher than the 10-year average for that date.

Rains in late June and early July brought improvement to some ranges in the Western Sheep States, particularly in western Texas, New Mexico, and parts of Arizona. During June, early lambs made very good gains in Idaho, Oregon, and Washington. Late lambs made good gains in all areas of the Western States, except New Mexico.

More early Texas lambs were marketed during the spring than a year earlier. Very few western lambs have been contracted for future delivery as feeders this year. Prices offered for such lambs have been much lower than those paid a year ago.

OUTLOOK

In the June issue of this report the following indications were given with respect to supplies and prices of lambs during the summer months:

> 1. Marketings of lambs this summer probably will be larger than in the summer of 1937. But the number of yearlings to be marketed from Texas is expected to be smaller than the unusually large number marketed a year ago.
>
> 2. Prices of lambs are expected to decline seasonally during the summer months, as supplies of grass-fat lambs increase.

Slaughter supplies of sheep and lambs during the late summer and early fall are likely to be larger, and consumer demand for meats and prices of pelts and wool weaker, than in the corresponding period a year ago. Hence, prices of lambs probably will remain below those of last year during the next few months, with a tendency to decline as supplies of grass-fat lambs increase seasonally. But improvement in consumer demand and in prices of pelts and wool from present levels probably will be strengthening factors in the late fall and early winter months.

The number of lambs to be slaughtered during the summer and early fall months will depend partly on the number sold as feeders. Last summer relatively large numbers of western lambs were sold on contract for fall delivery as feeders. But up to mid-July this year, the demand for western lambs for feeding, as indicated by the number of contracts made, was much weaker than a year earlier.

All indications point to a larger lamb crop this year than last, but estimates of the lamb crop will not be available until July 27. Estimates in March indicated that the early spring lamb crop was at least 15 percent larger this year than last. Since March, conditions have been generally favorable for the development of other lambs.

WOOL SITUATION 1/

Although little change in domestic wool prices is expected in the immediate future, some strengthening in prices may occur before the end of the year. Prices were irregular early in June but were firm to slightly higher late in the month as demand improved. Stocks of finished and semi-finished goods probably have been sharply reduced in recent months, and some recovery in mill consumption of wool from present low levels appears likely in the late summer and fall. Prices in foreign markets may continue steady in view of the prospects for some decrease in production in the Southern Hemisphere.

Supplies of raw wool in the United States at the present time are considerably larger than at the same time in 1936 and 1937. But if imports remain small, as now appears likely, an increase in consumption in the latter part of 1938 over that of 1937 might result in smaller stocks of wool on January 1, 1939, than on January 1, 1938, but stocks probably will remain relatively large.

The weekly rate of mill consumption of apparel wool in the United States in May was the highest reported since last September. The May consumption, however, was 43 percent lower than in May 1937. Consumption in the first 5 months of this year was only half as large as in the same months of last year and was about 30 percent smaller than the average consumption for those months in the 5 years, 1932-36.

Although present indications point to a fairly large carry-over into the 1938-39 season in the Southern Hemisphere, this may be largely offset by a decrease in production. Supplies for the 1938-39 season, therefore, may be no larger than in 1937-38. The new Australian clip will amount to approximately 960 million pounds, grease equivalent, according to a preliminary estimate. This is a decrease of about 6 percent compared with the 1937-38 clip and will be the smallest clip since 1930.

From such information as is available it appears that supplies of raw wool in European countries are not large, but apparently are adequate for current mill requirements, which are at a reduced level. Stocks of raw wool in Japan are the smallest in many years. Imports into that country are likely to continue relatively small but perhaps not so small as in the season now closing.

1/ From the July 15 issue of the Demand and Price Situation. For a more detailed discussion see the monthly Wool Situation, copies of which may be obtained from the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

Supplies of sheep and lambs, specified periods

Item	Unit	Year: Average 1924-33	Year: 1936	Year: 1937	Month: June average 1924-33	Month: June 1937	Month: May 1938	Month: June 1938
Sheep and lambs:								
Number slaughtered under Federal inspection 1/....	Thousands	14,737	17,216	17,270	1,216	1,425	1,550	1,485
Receipts at seven markets 2/.......	do.	3/15,241	11,892	11,470	3/ 818	682	883	669

Item	Unit	Year: Average 1924-33	Year: 1936	Year: 1937	Month: May average 1924-33	Month: May 1937	Month: Apr. 1938	Month: May 1938
Slaughter under Federal inspection:								
Lambs & yearlings- Number slaughtered	Thousands	13,678	15,647	15,912	1,081	1,263	1,354	1,455
Percentage of total sheep and lambs..........	Percent	92.8	90.9	92.1	90.7	92.2	95.0	93.8
Sheep: Number slaughtered	Thousands	1,059	1,569	1,358	111	107	71	95
Percentage of total sheep and lambs	Percent	7.2	9.1	7.9	9.3	7.8	5.0	6.2
Sheep and lambs: Average live weight	Pound	81	85	85	80	82	87	83
Average dressed weight	do.	39	40	40	38	40	41	40
Total dressed weight	Mil.lb.	569	680	683	46	54	58	62

1/ Bureau of Animal Industry.
2/ Chicago, Kansas City, Omaha, Denver, St. Joseph, Sioux City and St. Paul.
3/ Average 1929-33.

Price per 100 pounds of sheep and lambs, by months, April - June, 1936-38

Item	1936			1937			1938		
	Apr.	May	June	Apr.	May	June	Apr.	May	June
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Slaughter lambs, Chicago:									
Good and Choice	10.98	1/10.26	2/11.44	12.22	1/ 9.99	2/11.94	8.26	1/7.37	2/9.30
Common & Medium	10.01	1/ 8.88	2/ 9.32	11.11	1/ 8.42	2/10.42	6.44	1/5.82	2/7.76
Slaughter ewes, Chicago:									
Good and Choice	5.70	1/ 4.48	1/ 3.45	5.67	1/ 4.50	1/ 3.78	4.82	1/3.62	1/3.39
Common & Medium	4.63	1/ 3.36	1/ 2.28	4.17	1/ 2.93	1/ 2.30	3.41	1/2.69	1/2.59
Feeding lambs, Omaha:									
Good and Choice	9.05	8.99	8.60	10.20	---	8.53	7.21	---	6.97
Average price paid by packers:									
Sheep & lambs	9.78	9.76	9.66	10.92	9.69	9.95	7.91	7.37	
Average price received by farmers:									
Sheep	4.48	4.30	4.03	4.98	4.89	4.52	3.90	3.59	3.43
Lambs	8.46	8.59	8.33	9.19	9.16	8.88	7.23	6.90	6.84
Lamb, New York: Wholesale carcass: 3/									
Choice	20.67	22.15	23.15	21.05	21.32	21.40	18.66	18.52	18.88
Good	20.06	21.26	21.80	20.05	20.20	20.20	17.95	17.88	17.98
Medium	19.08	19.68	19.65	18.85	18.88	18.48	16.09	16.39	16.39
Pulled wool Boston: 4/									
Choice AA	93.2	91.2	93.1	113.8	110.0	107.5	72.1	72.5	69.0
Choice White B	78.1	75.5	78.1	98.0	94.2	91.2	56.5	57.5	54.0
Sheep pelts, packers shearlings, No.1, Chicago each 5/..	1.00	1.05	1.12	1.55	1.48	1.39	0.52	0.52	0.52

1/Shorn basis. 2/New crop.
3/For Choice and Good carcasses, 38 pounds down; For Medium carcasses, 38 pounds down in 1936 and 1937, and all weights in 1938.
4/Cents per pound. 5/Bureau of Labor Statistics.

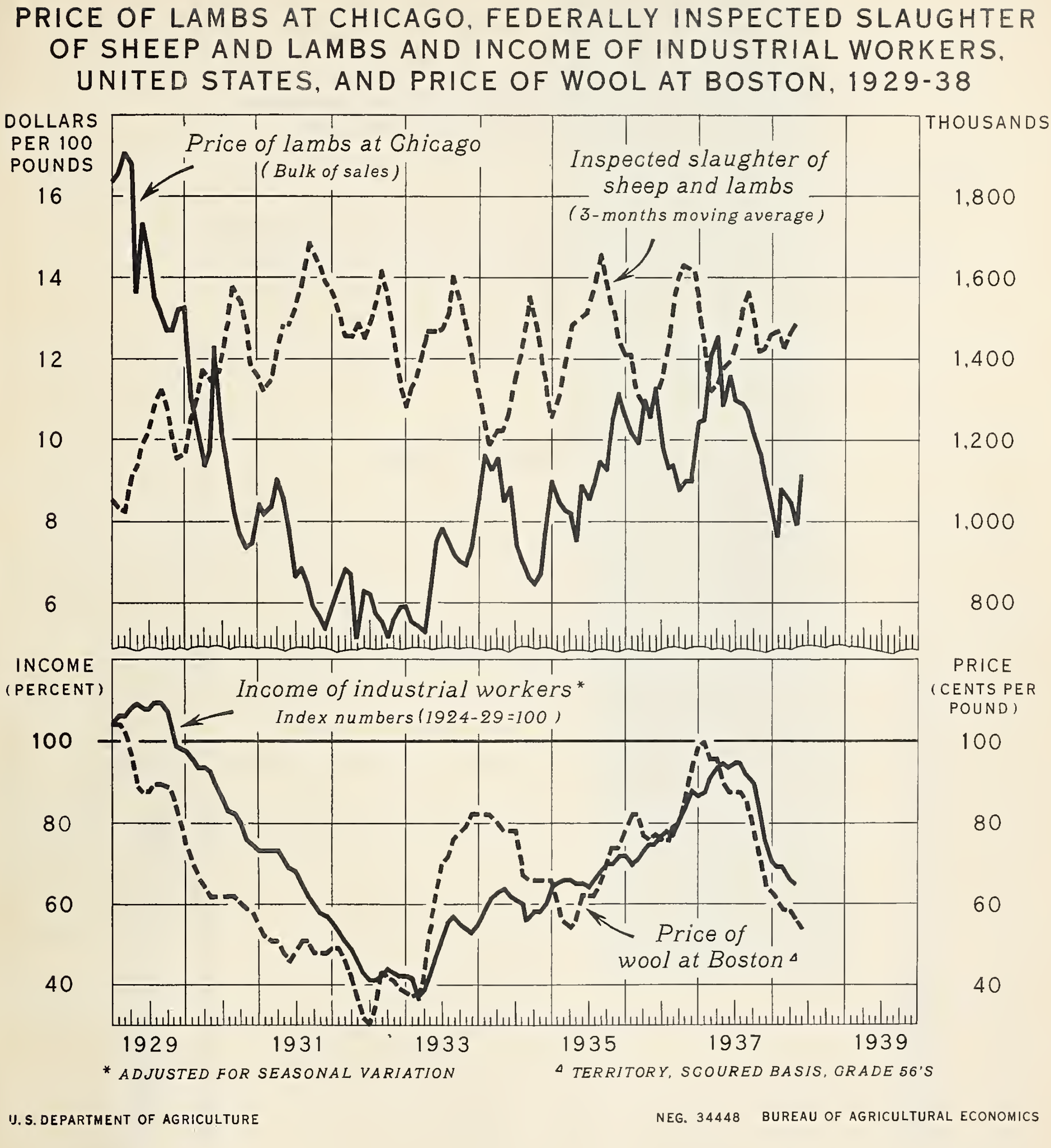

Figure 1.- The usual seasonal variation and part of the year-to-year changes in the price of lambs may be explained largely by changes in slaughter supplies. Other factors affecting lamb prices are consumer income and wool prices. Slaughter supplies of sheep and lambs are expected to increase seasonally during the next few months. Hence some further weakness in the price of lambs seems likely, but improvement in the consumer demand for meats and in prices of pelts and wool probably will be strengthening factors in the late fall and early winter months.